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# Central Intelligence Bulletin

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Approved For Release 2004/07/08 : CIA-RDP79T00975A026300170001-1

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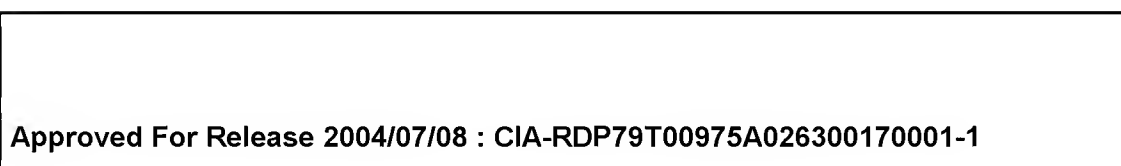
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\*ISRAEL: Prime Minister Meir has apparently encountered unexpected difficulties in working out a solution to the cabinet crisis that has been brought on by calls for the resignation of Defense Minister Dayan. A Labor Party leadership meeting to find a solution was scheduled for last night, but it was postponed to allow the continuation of intensive intracoalition negotiations. After a stormy meeting of the coalition partners last night, however, Labor Party Secretary General Yadlin was pessimistic about the possibility of reaching a compromise. Mrs. Meir may now also seek to put off a special parliamentary debate, scheduled to start on April 11, on the Agranat Inquiry Commission report, which generated this latest storm of controversy around Dayan.

Labor Party leaders are seeking what they call an "elegant solution" that would remove Dayan as defense minister but keep the Labor Alignment and the governing coalition intact. Dayan's compromise solution, on the other hand, calls for the resignation of the government to be followed by a new cabinet under Mrs. Meir's leadership. In such a compromise, Dayan could assume a portfolio other than defense. Although Mrs. Meir seems amenable to some solution along these lines, the Labor Party is divided. Its left-wing Mapam faction is balking at a wholesale cabinet resignation, while Dayan's Rafi faction is insisting on it if Dayan goes.

Whether a new cabinet is formed or the existing one is simply reshuffled, the speculation is that Dayan may fill a new post as minister without portfolio responsible for Arab-Israeli negotiations and the Israeli-occupied Arab territories. Dayan has said he does not want the post of foreign minister.

The difficulties of implementing such a cabinet change are considerable. Not only must the various Labor Alignment factions agree, but Labor's two coalition partners also must accept such a solution. The

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attitude of the National Religious Party, torn by a severe internal crisis of its own concerning whether or not to stay in the present cabinet, is a particularly serious problem.

At this stage, however, Mrs. Meir probably still has a better-than-even chance of patching up the Alignment's internal differences and of holding the three-party coalition together, thus allowing her to continue to head the government. [REDACTED]

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\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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\*ETHIOPIA: The far-reaching social and economic reforms announced yesterday by the government go far toward meeting widespread demands for modernizing the government structure and reordering public priorities, but discontent is likely to continue for some time as different groups press their own special interests.

The most important parts of the statement deal with land reform and corruption. The government proposes to prohibit any one person from holding more land than he can develop, and to abolish public land grants to people who do not work on the land.

These proposals, if carried out, will disrupt Ethiopia's traditional land-tenure system and ultimately change the fabric of society. The measures would require the break-up of the large estates that have provided the base of the economic and political position of the conservative segments of the society.

The church and the imperial family, two of the larger landowners, command enough prestige to ensure their continuing influence. The abolition of public land grants, however, will deny Haile Selassie one of his most valuable methods of rewarding loyal followers.

Local noblemen and landlords, the classes most directly affected by the reforms, will likely use all the influence they can muster to delay the implementation and restrict the scope of the changes. Their anger at what amounts to a revolution in their relations with the peasants will probably be matched by the peasants' impatience to own their farms.

In answer to charges of official corruption, the government has proposed a law requiring state officials to declare the amount of property they own and the lands they acquired while in office. Ministers will also be subject to checks on personal finances. Such a law would help bring an end to the massive corruption that has characterized the cabinet and bureaucracy. Meanwhile, demands for the prosecution

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[redacted]

of officials already charged with corruption and for the dismissal of additional senior officials will continue to pose a crucial problem for Prime Minister Endalkatchew's cabinet.

The policy statement also announced reforms in administration, education, development, wages and prices, employment, and foreign investment. Implementation of these policies will place a further burden on a government already severely strained economically. The promised political changes are being considered separately by a constitutional committee which must make its recommendations within six months.

Labor unrest is endemic, and demands for immediate improvement in economic conditions will not be easily stilled by promises of future action. In fact, the announcement of the proposed changes might even incite some peasants to take matters into their own hands in advance of legal preparations. Radical students and military personnel still doubt the government's sincerity. They will probably charge that the proposed reforms do not go far enough, and will continue to agitate for swift implementation of new policies.

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CYPRUS: The UN's special representative on Cyprus is trying to work out a formula that will allow resumption of the intercommunal talks, which adjourned last week without setting a new date for negotiations. Prospects for the six-year-old talks' resuming after a period of hard bargaining appear relatively good.

The current impasse was precipitated by the Greek Cypriots, who chose to make an issue of Turkish Prime Minister Ecevit's public statement on March 29 that advocated a federal system of government for Cyprus. Federalism is anathema to President Makarios and the Greek Cypriots, who insist that talks are pointless unless the object is the creation of a unitary, independent Cypriot state. Turkish Cypriot Vice President Denktash and the Turkish ambassador in Cyprus have tried to play down Ecevit's statement, claiming misinterpretation and denying that there has been any change in Turkish policy toward Cyprus.

Although Ecevit and his party are on record as favoring federalism for Cyprus, this presumably represents Ankara's maximum bargaining position. Similarly, the Greek Cypriots' decision to stall the talks at this time on the basis of statements made only in Turkey is essentially a tactical gambit. President Makarios has declared that if the deadlock is not broken, the Cyprus issue should be returned to the UN.

Athens last week repeated its standard line in support of the intercommunal talks and an independent, unitary Cypriot state. President Makarios fears, however, that Athens may be playing a double game by clandestinely supporting enosis, which aims at the union of Cyprus and Greece, and by plotting against him. [REDACTED]

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ARGENTINA-CUBA: Argentine Foreign Minister Vignes plans to press hard at the inter-American meetings in Washington and Atlanta this month for a proposal to end the economic embargo of Cuba. Although the minister sees little chance of rallying the two-thirds vote necessary to lift the sanctions, he reportedly is confident that a majority vote would in the long run effectively end hemispheric isolation of the Caribbean island.

At a recent press conference, Vignes indicated that Argentina would raise the Cuban issue at the meetings, but he did not spell out any specific plan. The Argentines, however, apparently will not ask for the reintegration of Cuba into the OAS because Havana has repeatedly stated it does not want OAS membership.

The Argentines will probably lobby vigorously for their position during a preliminary informal meeting of the Latin American ministers at the Argentine Embassy in Washington on April 16. By strongly endorsing a call for change in regional attitudes toward trade with Cuba, Buenos Aires may hope to put pressure on the US Government to allow US companies in Argentina to sell vehicles to the Castro regime. [REDACTED]

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FRANCE: The French Government has decided to conduct feasibility studies on the development of nuclear-powered merchant ships.

Three naval shipyards--Saint-Nazaire, Le Ciotat, and Dunkirk--recently signed a contract to design and to undertake cost analyses for a container-carrier ship as well as for a standard merchant vessel.

A study conducted in 1971 by a private French company concluded that the operating costs of large vessels would be less if nuclear propulsion were used, but that construction costs would be higher than for conventionally powered ships. Government interest has apparently been spurred by recent increases in fuel prices, which have made nuclear propulsion economically more feasible.

According to the French press, construction of a nuclear-powered merchant ship could not begin until 1977-78 because construction yards will be tied up until then with ships on order.

France already has considerable expertise in nuclear propulsion. In addition to its nuclear-powered submarines, three of which are already assigned to the fleet, France is developing a nuclear-powered helicopter carrier.

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